

We like having fun,  
but when it comes to  
work we try to do our  
best



**ASSIGN  
BUSTER**

" I chose the introductory part of the project because I wanted to conduct a comparative research of the economic crisis, in order to find proper lessons that could be learned from the past." MAGDA UNGUREANU, 19 years old" I wanted to find out more about the root causes of the economic crisis and that was what inspired me to contribute to the introductory part." ADRIAN SALCU, 19 years old" I chose the case study about Greece because I was extremely impressed by their poor crisis management and I was also curious how they got in such a mess." ALEXANDRA PRUNEL, 19 years old" The reason why I decided to write about China was that I consider it to be a very good example for their way of handling the global recession." NICOLETA ROSU, 19 years old" I chose Groupon as my case study for I consider it a successful entrepreneurial model during economic constraints, which I would like to follow in my future career." ANA MARIA TUDOSE, 22 years old" I chose this case study for I found it interesting and appeals to the general interest of the public, by offering information on how things would evolve should Great Britain impose the scrap page scheme and therefore, inspire other countries to apply such measures for mitigating the economic crisis." AURELIA SCARLAT, 20 years old" I chose Carrefour Romania as my case study because I was interested in the measures they have taken during the crisis in order to make us feel the economic recession didn't affect our purchasing power at all." ECATERINA MUSTEA, 19 years old" I like interacting with people and because of that I wanted to ask them directly how the Romanian people are affected by the economic crisis." THE ECONOMIC CRISIS Nicoleta Rosu; Andreea Pirvu; Magda Ungureanu; Aurelia Scarlat; Ana Maria Tudose; Alexandra Prunel; Ecaterina Mustea; Adrian Salcu Academia de Studii Economice, Facultatea de Administrare a Afacerilor in limba engleza, <https://assignbuster.com/we-like-having-fun-but-when-it-comes-to-work-we-try-to-do-our-best/>

anul IABSTRACTThe current crisis is the most global one since the Great Depression of the 1930s. It points out the return of macroeconomic fluctuations of such big magnitudes that reminds us of the interwar period and the experience of the Great Depression. Although the current situations and imbalances had a global impact, all three crisis were triggered first by events in the US. In addition to these events, the distress in the financial sectors was the element, which transmitted the problem to the real economy, causing the deep recession. Among many other consequences, the low GDP figure and the high rate of unemployment were the biggest issues most of the affected countries had to deal with. However, important lessons from the past, which ought to be taken into consideration, have been extremely important for many countries in their fight for recovery. The present project analyses different approaches of the crisis management in some of the most affected industries and countries. Moreover, the strategies used by some big companies and the measures some governments took during the recession are discussed and assessed from an economic perspective. However, some successful organizations and recovery policies are presented to give a balanced overview of the current situation. The conclusions that were reached were that the current financial crisis affecting the world economy has systemic elements and the countries affected cannot deal with the problem in isolation. Therefore, an effective response needs to combine measures at both national and international levels. Economically, the crisis put a heavy debt burden on Europe's economy as on everyone else. It can be stated that the concrete political consequences of the crisis are not yet clear and the outcome is heavily dependent on the measures taken in order to safeguard the global economy. Key words: economic crisis, <https://assignbuster.com/we-like-having-fun-but-when-it-comes-to-work-we-try-to-do-our-best/>

crisis management, demand, supply, competitive advantage

Table of Contents

PRESENTATION OF THE TEAM 2

Table of Contents 4

ANATOMY OF THE CRISIS 5

A historical perspective - Great Depression vs. Financial panic from 1907 vs. Current crisis 5

Root causes of the crisis 7

Economic consequences of the crisis 8

GREECE 9

CHINA 11

GROUPON - Case Study 13

How Ideas Turn to Gold in Time of Crisis 13

THE CRISIS IN THE CAR INDUSTRY: Case Study 'Car industry begs for budget boost from Alistair Darling' 16

THE CRISIS IN THE RETAIL SECTOR - Case study 'Carrefour Romania' 19

Economic crisis survey in Romania 22

CONCLUSION 23

Policy responses to the crisis 23

References 24

ANATOMY OF THE CRISIS

A historical perspective - Great Depression vs. Financial panic from 1907 vs. Current crisis

Economic crisis is a period of time when society suffers from severe declines in investment, productivity, from high unemployment, it also experiences a fall both in the GDP and prices, accompanied by a reduction in the purchasing power and a general economic pessimism

2 The current crisis is the most global and profound that we have experienced ever since the Great Depression of the 1930s. It points out the return of macroeconomic fluctuations of such high magnitudes that it reminds us of the interwar period and of the experience of the Great Depression. Moreover, there are some clear similarities between the two crisis and the financial panic from 1907 regarding the initial conditions and geographical origin. All of them appeared after a boom caused by money and credit expansion, rising asset prices and investor confidence and optimistic risk-taking. Although the occurred situations and imbalances were more global, the three crisis were triggered first by events in the US. In addition to these events the distress in the financial sectors was the element, which transmitted the problem to the

<https://assignbuster.com/we-like-having-fun-but-when-it-comes-to-work-we-try-to-do-our-best/>

real economy, causing a deep recession. Capital flows and World Trade were affected and the economy entered in a recession that required a strong recovery. As we can see from the graph, the fall in GDP, in all the 3 crisis was a big problem. Figure 1. GDP evolution

According to the last forecasts and indicators, it seems that the negative impact of the Great Depression was more severe and longer lasting than the impact of the present crisis. While in the 1930s core and peripheral countries in the world economy tended to be affected equally, in the current crisis the most negative impacts on the real economy seem to occur not necessarily in the countries where the crisis originated but in some economies whose growth has been dependent on inflows of foreign capital. Another significant difference is that in the 1930s there was a strong decrease in the overall price level, which caused a sharp deflationary impulse, followed by some restrictive policies. Despite a deep fall in inflationary pressures, such a deflationary chock seemed to be avoided in the current crisis. Figure 2. Unemployment rates

In addition, in the 1930s the rate of unemployment reached an unprecedented level, both in the US where it was almost 38% in 1933 and in Europe, where it approached 43% in Germany and more than 30% in other countries. Despite the increase in unemployment in 2010, it appears that these problems and the fall in resource use can be avoided today due to the automatic stabilizers and the stronger counter-cyclical policies currently adopted on a global scale." The current downturn is clearly the most severe since the 1930s but so far the less severe in terms of decline of production." 3 But the current crisis has developed faster than the one during the Great Depression due to the sharp fall in the World Trade, asset prices, the degree of financial stress and the followed problems in the economic activity. Moreover the workout of debt

<https://assignbuster.com/we-like-having-fun-but-when-it-comes-to-work-we-try-to-do-our-best/>

overhangs and the resolution of the global imbalances also contributed to the actual situation. However there are some lessons from the past, which can be taken into consideration in the current situation. Lesson 1. " Maintain the financial system - avoid financial meltdown." So, the problems from the 1930s regarding the financial system demonstrate that the government should adopt some policies in order to avoid the collapse of the " credit allocation mechanism" and to maintain the confidence of the public in the banking system. Lesson 2. " Maintain aggregate demand - avoid deflation." This concern can be avoided by developing means of expansionary monetary (by providing liquidity to the system through low interest rates and applying some unconventional methods when the rates are close to zero) and fiscal policies. The exit time is also important because an early attempt can extend the crisis and a late attempt can lead to inflationary pressures and inefficient allocation of resources, which was the case from the 1970s after the first oil shock. Lesson 3. " Maintain international trade - avoid protectionism". This kind of measures caused in the Great Depression a fall in the World Trade and in the world production. Lesson 4. " Maintain international finance - avoid capital account restrictions". In the Great Depression there was a fall in the flow of capital at international level and because of the lack of cooperation some countries introduced controls of cross border capital flows, capital exports being denied leading to a worse situation. Lesson 5. " Maintain internationalism - avoid nationalism." As e could see from the forth lesson this idea is very important because otherwise the depression can get deeper, as it happened in the 1930s when a wave of national policies were adopted in order to solve first the domestic problems and which caused a

decline in goods, services, capital and labour movements. Germany and Soviet Union were such extreme examples.